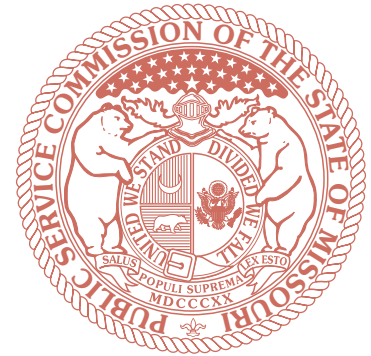


Major Initiatives in 2004

Changes to the Cold Weather Rule

With prices for wholesale natural gas rising, the PSC took steps to help reduce the impact on consumers. Starting in November 2004, the Commission provided a higher level of protection for those customers who need help paying their heat-related utility bills. The new rule includes: 1) a winter disconnect moratorium for registered elderly and disabled who meet certain income guidelines and make a minimum payment and; 2) a change in the temperature moratorium from 30 degrees to 32 degrees for all customers.

In addition, the Commission completed a rulemaking that provides for greater utility information gathering and reporting. Additional rule changes allow the Commission to better monitor and assess the effectiveness of its Cold Weather Rule.



Long-Term Energy Affordability

A Commission task force is examining possible programs to improve long-term energy affordability for persons who need help with their utility bills. Representatives from utility companies and consumer groups, the Missouri Department of Natural Resources, Community Action Agencies, the PSC Staff and the Office of the Public Counsel are studying innovative ways to finance weatherization and energy efficiency measures for homes and buildings, particularly where the overall savings are greater than the amount invested. On December 2, 2004, Task Force Co-Chairman Warren Wood, Manager of the PSC Energy Department, updated the Commission on meetings held and progress made by the task force and presented recommendations and possible legislative proposals in order to receive any guidance the Commission has on these issues and to answer any questions. Final recommendations will be considered by the Commission in early 2005.

Low Income Home Energy Assistance Program (LIHEAP)

With increased natural gas prices and its effect on consumers, particularly low-income households, the Commission has sought the support of federal and state legislators in requesting increased authorizations to the LIHEAP program. As expressed in those letters, Missouri has seen a dramatic increase in the number of households seeking LIHEAP assistance. While natural gas rates have nearly doubled since 2000, the total authorized dollars have remained virtually the same since the program was first established in 1981. Recently, the Commission has been informed that Congress has authorized an increased LIHEAP appropriation of approximately 15.5%. The Commission is now working to see that this increase is made immediately available to address the rising prices in home energy costs.

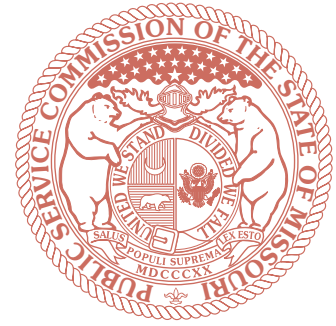
Making Telephone Bills Easier To Understand

Starting in the fall of 2004, new PSC rules require telecommunications companies, when discussing or tariffing calling plans or packages in Missouri, to clearly identify the exact name and rates associated with those plans. These rules are designed to correct misleading tariffs and customer confusion. If a service plan offering contains a specific rate in its title, that is the rate the consumers should expect to be charged if they sign-up for that plan.

Companies must also clearly identify the company name associated with toll-free numbers for billing assistance; disclose detailed information about service offerings in company tariffs; notify customers when they propose rate increases for regulated services; clearly state the amount billed for local service, and whether or not it's part of a service bundle; provide, upon a customer's request and possibly at some cost, various blocking services for unwanted calls; and provide Lifeline and Link-Up service offering information when a customer establishes service.

Major Initiatives in 2004 (Continued)

In addition, the Commission urged the Federal Communications Commission to consider rules within its truth-in-billing regulations that would prohibit carriers from placing monthly surcharges on customer telephone bills that were not authorized or mandated by federal, state or local regulatory action. The Commission is considering a state rule on this subject as well.



Consumer Privacy Protection

In 1996, Senate Bill 507 was enacted resulting in a comprehensive rewrite of the Missouri Telecommunications Law. One expressed purpose of that law was to “protect consumer privacy.” In the past year, the Commission has completed two rulemakings that further the purpose of this statute.

First, the Commission promulgated a new rule related to the protection and release of customer proprietary network information (CPNI) by telecommunications companies (e.g. protecting CPNI). While the PSC is restricted in its ability to protect consumer privacy by federal law, the new rule should eliminate a loophole in federal rules and provide better privacy protection.

Second, the Commission issued a new rule that standardizes the provision of CallerID services. The rule requires all telecommunications carriers to provide emergency per-line blocking of caller number delivery to law enforcement and domestic violence intervention agencies. The rule change resulted from concerns expressed by domestic violence shelter representatives that caller information from shelters was not always blocked. The provision of per-line blocking is designed to protect these agencies and their employees by allowing them to prevent the delivery of their caller numbers on a full-time basis. Additionally, the new rule requires all telecommunications carriers to provide per-call blocking to all other parties. By dialing *67, all parties can prevent their calling numbers from being delivered on a per-call basis.

Full and Fair Telecommunications Competition

Consistent with the policies expressed in Chapter 392 of the Revised Missouri Statutes, the Commission has taken steps to “allow full and fair competition” to exist in Missouri. Specifically, the Commission has implemented rules designed to establish a procedure for the Commission to arbitrate disagreements arising between competing telecommunications carriers. Moreover, the Commission has initiated a rulemaking designed to consider whether carriers should maintain enhanced calling records so that carriers may be properly compensated for the termination of intraLATA traffic.

Quality of Service Requirements

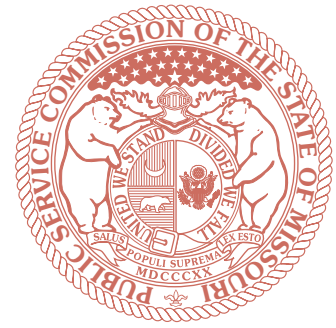
In the past year, the Commission became aware that its Quality of Service rules were subject to various interpretations by its telecommunications utilities. As a result, the Commission initiated a comprehensive rulemaking designed to standardize the tracking and reporting of quality of service information by providers of basic local telephone service. This new rule should provide the Commission the opportunity to better monitor telecommunications quality and ensure that ratepayers receive safe and adequate service.

Residential Customer Service Availability

In recent years, the Commission has noticed a large number of customer complaints regarding a utilities’ refusal to commence service. Although the Commission had previously promulgated rules related to disconnection of existing service, no guidance had been provided regarding the circumstances in which a utility could initially refuse

Major Initiatives in 2004 *(Continued)*

to provide service. In many cases, utility service was denied if a co-resident at the address had prior account indebtedness to the company, even though the applicant did not benefit from the service to that co-resident. Under the new rule, utilities must have credible evidence that the applicant received substantial benefit and use of service from a prior account before the utility denies service to an applicant.



Voice Over Internet Protocol

The Commission launched its study in February of 2004, ahead of a Federal Communications Commission (FCC) inquiry currently under way. One of the central issues to be determined is whether Voice Over Internet Protocol (VoIP) is an information service or a telecommunications service. If it is classified as an information service, bypassing all or part of the switched network, it may be exempt from those revenue-generating policies. As customers substitute VoIP calling for traditional calling, important issues to be examined include the impact on local and state tax revenue; telecommunications services for the deaf; funding for 9-1-1 emergency dispatch services; and intrastate revenues for traditional telephone companies.

During the fiscal year, the PSC Staff facilitated several workshops in order for the Commission to further its knowledge of the subject and to prepare comments on the subject to the FCC.

2-1-1 Service Established in Missouri

The Commission established rules in fiscal year 2004 to implement 2-1-1 calling in Missouri. The FCC previously designated 2-1-1 as a national abbreviated dialing code for community information and referral services. This will provide callers with direct access to organizations capable of making referrals to services such as housing assistance, counseling and hospice services that are not currently available through the 9-1-1 emergency code. It is hoped that 2-1-1 will relieve pressure on 9-1-1 calls allowing better responses to emergencies.

The Commission's rule provides the framework for the 2-1-1 telecommunications service in Missouri and sets out requirements for an organization to be designated as a 2-1-1 provider.

The Commission designated the Heart of America United Way as the first 2-1-1 agency in June 2004. It serves 16 western Missouri counties.

Local Calling Scopes

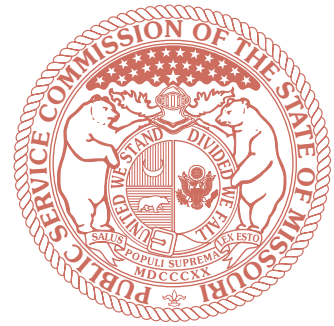
The Commission has been aware that, as a result of telecommunications exchange boundaries, certain residents could not call a school, law enforcement or other community resources without incurring a toll call. In response to this problem, the Commission named a task force to examine expanded calling in Missouri. The Commission brought customers, industry representatives, elected officials and staff members to the table. Their mission was to evaluate whether existing calling plans were adequately meeting the calling needs of consumers. The task force formally submitted its report to the Commission. The task force determined a demand exists for new toll-free expanded calling plans as well as changes to existing calling plans. In response to this demand the task force recommends the Commission develop a rule to establish a process to consider expanded calling requests in Missouri. Such a process would apply to requests for toll-free calling plans or discounted toll plans within reasonable communities of interest. A community of interest may include, but is not limited to, community calling to medical service providers, educational institutions, governmental or social service offices and commercial trade centers. The Commission is currently drafting and evaluating a rule to consider the feasibility of implementing such a process.

Major Initiatives in 2004 (Continued)

Case Efficiency Roundtable

At the Commission's request the PSC Staff, the Office of the Public Counsel, utility industry officials and utility customers worked in an open, non-adversarial roundtable forum to recommend improvements for the agency's case and non-case processes. The goal is to increase efficiency while still assuring that Commission proceedings are fair and accessible to all.

Recommendations include: procedures for revising Commission rules to consolidate reporting requirements; increasing the efficient handling of applications, fundamental inter- and intra-corporate transactions, complaints, rate cases, major policy issues and finance cases; streamlining formal rate case procedures; and enhancing use of the Commission's small company rate increase process by modifying timelines, rewriting agency rules and preparing "how-to" material for affected companies.



Midwest Independent Transmission System Operator (Midwest ISO or MISO) and Southwest Power Pool (SPP)

The Missouri Public Service Commission has been very involved in the development of regional transmission organizations and the associated regional state commission organizations (Organization of Midwest ISO States and the SPP Regional State Committee) recognized by the Federal Energy Regulatory Commission (FERC). The involvement of Missouri is important in light of the impact that MISO and SPP will have on transmission construction and pricing as well as the development and operation of a wholesale electric market. Currently, a representative of the Missouri Commission sits as the vice-president of the Organization of Midwest ISO States and serves on the Advisory Committee to the Midwest ISO as well as the SPP RSC.

KCPL Generation Capacity Workshop

This collaborative resource planning forum brings together Commissioners, PSC Staff, company officials, the Office of the Public Counsel, the state Department of Natural Resources, the City of Kansas City, various industrial and civic customer groups and individual customers.

Participants are studying KCPL's long-term strategies to address electric supply, pricing, environmental compliance, workforce needs and regulatory strategies.

The Commission is attempting to foster innovation and problem solving in open discussions rather than through an adversarial proceeding. It is anticipated that a formal proceeding will eventually need to be established to consider any resolutions reached in the workshop.

Natural Gas Price Stabilization

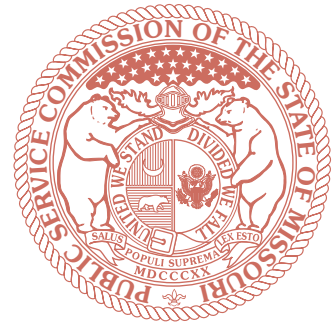
As a result of work with a special task force, with the public and with customer and industry stakeholders, the Commission now requires regulated natural gas companies to structure their natural gas supply portfolios to mitigate price spikes and provide a level of stability to delivered natural gas prices.

While recognizing that various mechanisms may have risks or benefits in certain circumstances, the Commission's rule includes a broad range of pricing structures and instruments that may be suitable and prudent for each company.

Major Initiatives in 2004 *(Continued)*

Customer Complaint Process

The Commission recognized that the time, cost and effort implicit in its current procedure made it difficult for a residential or small business customer to present a complaint to the Commission. As a result, many of the complaints of these customers may have gone unaddressed. Recently, the Commission has taken steps to reduce the time, cost and effort associated with a small customer bringing a complaint before the Commission. For instance, the Commission has waived the requirement of pre-filed testimony and has permitted customers to appear before the Commission via telephone conference. The Commission hopes to codify a small customer complaint procedure in an upcoming rulemaking.



Commission Filing Requirements

In the past year, the Commission has completed a comprehensive restructuring of its rules and regulations in order to place all utility filing and reporting requirements in a single chapter. Chapter 3 of Division 240 contains all filing and reporting requirements for electric, gas, telecommunications, water and sewer utilities operating in the state of Missouri. This effort should result in the Commission receiving more complete and timely information. Moreover, this restructuring, coupled with other Commission efforts, should allow utilities to more easily understand their reporting requirements and result in more timely annual reports and assessment payments. The Commission expects to see fewer utilities in non-compliance with Missouri statutes and regulations.

Implementation of New Legislation

In the past year, the Commission has taken steps or promulgated rules designed to implement new legislation including a small company rate procedure for steam heating companies (Section 393.291), a water and gas utility infrastructure system replacement surcharge (Section 393.1000 et seq.), and creation of an independent Commission technical staff (Section 386.135).

Manufactured Housing Changes

Working with the Missouri Manufactured Housing Association and the PSC Staff, the Commission was able to resolve a long-standing consumer protection issue. When homeowners identify material defects in new manufactured homes or modular units, the dealers and manufacturers who are responsible for correcting the problems must do so within a defined period. If this work is not completed during the first visit to the home site, Commission inspectors will re-inspect to verify whether defects are corrected. In the event the Director of the Manufactured Homes and Modular Units Program determines corrective action has not been taken, the Director may file a formal complaint requesting the Commission take disciplinary action.